

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 EUR-12 NEA-10 ISO-00 INT-05 SIG-01
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DRAFTED BY EB/ISM:TMARTIN:GS
APPROVED BY EB/ISM:RMOGDEN
EUR/SOV:JTREICHEL (DRAFT)
BUMINES:WSTOWASSER (DRAFT)
NEA/AFN:TWILKINSON (SUBS)
;F/EP:DMCCLELLAN (DRAFT)
EB/FSE:DJETT (DRAFT)

-----056364 170907Z /15

R 161833Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY RABAT
AMEMBASSY MOSCOW
INFO AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY DAKAR
AMEMBASSY LOME
AMEMBASSY NOUAKCHOTT

C O N F I D E N T I A L STATE 041288

E.O. 11652:N/A

TAGS: EMIN, EEWT, MO

SUBJECT:SOVIET-MOROCCAN AGREEMENT ON MESKALA PHOSPHATE
DEVELOPMENT

REF: A) MOSCOW 2186 B) RABAT 625 C) 77 MOSCOW 10128
D) 77 RABAT 1345

1. DEPARTMENT HAS READ WITH INTEREST THE REPORTING OF
EMBASSIES MOSCOW AND RABAT (REFS A AND B) ON THE USSR-GOM
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AGREEMENTS ON PHOSPHATES, TECHNICAL/SCIENTIFIC COOPERATION,
AND AGRICULTURAL TRADE. AS POINTED OUT, UNCERTAINTY STILL
PREVAILS ON THE AMOUNTS OF ROCK TO BE SHIPPED BEFORE
MESKALA COMES ON STREAM, THE MECHANISMS TO BE USED FOR
PRICE DETERMINATIONS, THE ISSUE OF POSSIBLE SOVIET RESALE
OF MOROCCAN ROCK, THE QUESTION OF SOVIET FINANCING OF
WESTERN MINING EQUIPMENT, AND THE NUMBER AND NATURE OF

SOVIET TECHNICIANS. SPECIFIC DETAILS ON THESE POINTS, WHICH HAVE BEEN THE CAUSE OF THE HALF-YEAR DELAY IN FINALIZING THE DEAL, WILL PRESUMABLY BECOME KNOWN WHEN AND IF THE AGREEMENTS ARE FORMALLY SIGNED IN MOSCOW LATER THIS MONTH.

2. SPECULATION CONTINUES MEANWHILE CONCERNING THE AGREEMENTS. "FOREIGN REPORT" (PUBLISHED IN LONDON BY THE

ECONOMIST) IN ITS JANUARY 25, 1978 ISSUE, CARRIED AN ARTICLE ENTITLED "THE SOVIET BID FOR MOROCCO'S PHOSPHATE." THE PIECE SUGGESTS THAT THE SOVIETS, HAVING RECENTLY DEVELOPED A TECHNIQUE FOR EXTRACTING URANIUM FROM PHOSPHORIC ACID AND BEING UNCERTAIN THAT THEIR NATURAL U308 SUPPLIES WILL BE SUFFICIENT TO MEET FUEL AND WEAPONS NEEDS FOR THE LATE 1980'S, ARE NOW SEEKING A GUARANTEED 10 TO 20 YEAR SUPPLY OF PHOSPHATES. IT STATES THAT THE SOVIETS ENVISION A TWO-STEP MESKALA BASIN PLAN. THE FIRST PHASE, TAKING 2 YEARS AND COSTING 2 BILLION DOLS., WOULD INVOLVE CONDUCTING DETAILED SURVEYS AND PUTTING IN NECESSARY INFRASTRUCTURE. THE FINAL PHASE, CONSISTING OF BUILDING MINES AND INSTALLING EQUIPMENT, WOULD REQUIRE A FURTHER 2 TO 3 BILLION DOLS. AND WOULD BRING THE PROJECT ON STREAM IN 1983. AT THAT TIME, THE SOVIETS REPORTEDLY WOULD EXPECT TO RECEIVE ANNUAL SHIPMENTS OF 1 TO 2 MILLION TONS OF ROCK GRADUALLY INCREASING TO 10 MILLION TONS (FROM CONFIDENTIAL

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WHICH THEY COULD EXTRACT 1000 TO 2000 TONS OF U308 PER ANNUM). ECHOING THE MOROCCAN PRESS, THE ARTICLE OBSERVES THAT AN ARRANGEMENT ON THIS SCALE WOULD TRANSFORM MOROCCO INTO THE SOVIET UNION'S LARGEST TRADE PARTNER ON THE AFRICAN CONTINENT.

3. THOUGH THE URANIUM FACTOR MIGHT BE CONTRIBUTING TO CURRENT SOVIET INTEREST IN MOROCCAN ROCK AND THE MESKALA, IT IS HARDLY LIKELY TO BE THE PRIME MOTIVATION. EXISTING AND CURRENTLY PROJECTED PHOSPHORIC ACID PLANTS IN THE SOVIET UNION WOULD NOT EASILY LEND THEMSELVES TO A LARGE SCALE EFFORT. THE KAZAKSTAN FACILITIES EMPLOY ELECTRIC FURNACES, RATHER THAN WET-PROCESSING, THUS PRECLUDING U308 EXTRACTION TECHNIQUES. NEW ACID FACILITIES, BELIEVED TO BE PLANNED FOR THE BLACK SEA AREA, ARE REPORTEDLY DESIGNED TO HANDLE KOLA APATITE ROCK, WHICH LACKS URANIUM POTENTIAL. MOREOVER, THERE IS NO INDICATION OF SPECIFIC PILOT EFFORTS UNDERWAY TO ESTABLISH THE TECHNICAL AND ECONOMIC VIABILITY IN THE SOVIET UNION OF EXTRACTING U308 FROM MOROCCAN ROCK. IN THIS CONTEXT, WE ARE MORE INCLINED TO SUPPORT THE MOTIVES ATTRIBUTED BY EMBASSY MOSCOW IN REF C PARA 4.

4. FYI: ON THE OTHER HAND, THE ECONOMIC MOTIVES FOR BASIC EXTRACTION ARE MORE CLEAR OUTSIDE THE SOVIET UNION. TWO US FIRMS--FARMLANDS INDUSTRIES AND FREEPORT MINERALS-- ARE NOW INSTALLING EXTRACTION UNITS WHICH SHOULD BE ON STREAM IN 1979, AND CURRENT MARKET PRICES OF U308 ARE FAR HIGHER THAN THE EXTRACTION COSTS PROJECTED BY THOSE FIRMS. AT THE SAME TIME, MOROCCO IS GIVING SERIOUS CONSIDERATION TO PLANS TO ESTABLISH COMPARABLE FACILITIES (REF D). WYOMING MINERALS, A WESTINGHOUSE SUBSIDIARY WHICH IS

SETTING UP THE FARMLANDS PROJECT, HAS REPORTEDLY RECEIVED A VERBAL GOM COMMITMENT FOR A JOINT VENTURE TO CONSTRUCT FOUR EXTRACTION FACILITIES AT SAFI AND JORF LASFAR AT A CONFIDENTIAL

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COST OF 32 MILLION DOLS. PER UNIT.

5. THE LEVEL OF IMMEDIATE MOROCCAN ROCK SHIPMENTS TO THE SOVIET UNION WILL BE A FUNCTION OF THE CURRENT SOVIET CAPACITY TO CONSUME ROCK AND THE MOROCCAN ABILITY TO SHIP IT. WHILE SHARING GRANA'S SKEPTICISM (REF A PARA 6) ON THEFORMER, WE ARE UNABLE TO ASSESS THE QUESTION AT THIS TIME. BUT WE HAVE MADE A PRELIMINARY ESTIMATE OF THE LATTER. DATA JUST RECEIVED FOR 1977 PUT SHIPMENTS FROM THE KHOURIBGA AREA (THE MOST PROBABLE SOURCE OF EXPORTABLE ROCK, SINCE THE BU CRAA MINE IS NOT NOW OPERATING AND SHIPMENTS OF PREVIOUSLY MINED ROCK HAVE CEASED) AT 13 MILLION TONS. ANNUAL DRYING CAPACITY FOR THAT AREA IS ESTIMATED TO BE ROUGHLY 20-21 MILLION TONS (KHOURIBGA 6 MILLION, BENI ADIR 10 MILLION, OLD OUED ZEM 1 MILLION, AND NEW OUED ZEM 3-4 MILLION), LEAVING AN EXPORT POTENTIAL OF 7-8 MILLION TONS. SUCH A STEP-UP MIGHT BE EASILY HANDLED BY THE PORT OF CASABLANCA, WHOSE ANNUAL CAPACITY IS BELIEVED TO BE 20-25 MILLION TONS. THE POTENTIAL BOTTLENECKS WOULD APPEAR TO BE SUFFICIENT ROLLING STOCK AND EFFICIENT LOADING OPERATIONS AT THE PORT.

6. ACTION REQUESTED: EMBASSY RABAT'S EVALUATION OF POINTS RAISED IN PARA 5 ABOVE AND ANY ADDITIONAL INFORMATION THAT MAY HAVE BEEN DEVELOPED ON THE AGREEMENTS. VANCE

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